

# RJR Is Said To Consider Cash Dividend

**HEARD  
ON THE  
STREET**

By EBEN SHAPIRO

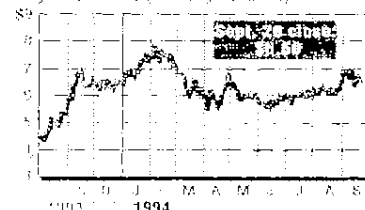
Staff Reporter of THE WALL STREET JOURNAL  
The much-lambasted shareholders of RJR Nabisco Holdings are hoping they will soon be rewarded with a dividend.

For the first time since its 1989 buyout, RJR is considering starting to pay cash dividends, according to executives close to major RJR shareholders and Wall Street analysts.

While no final decision has been made, Wall Street already is racing to predict how

## RJR Nabisco Holdings

Daily stock prices (NYSE symbol: RJR)



Business	Food products
Year ended Dec. 31, 1993:	
Revenue	\$4.5 billion
Net income	\$15 cents a share
Adjusted quarter June 30, 1994:	
Revenue	\$1.1 billion
Net income	1 cent a share
Average daily trading volume:	2.5 million shares
Common shares outstanding:	1.2 billion
Price	\$8.50
Change	+0.50
High	\$10.50
Low	\$4.50
Dividend	0 cents a share

much the move could boost the stock's price. The initiation of a dividend likely could result in an immediate 15% jump in RJR's stock price, analysts calculate.

Frederick H. Taylor, a bond analyst at Salomon Brothers, said the announcement of a dividend by RJR could drive the stock up as much as 30%.

"We strongly suggest that investors hitch a ride onto what is likely to be a sharp move upward in RJR's common shares," says Gary Black, an analyst at Sanford C. Bernstein & Co. Within the next two months, Mr. Black expects RJR to announce payouts totaling 30 cents to 35 cents a share annually.

"It's an absolute slam-dunk that it improves the stock price," says Thomas W. Hoens, an analyst at Fitch Investors Service Inc., a credit-rating service. Mr. Hoens also thinks a dividend payment may be in the wind. "There are a lot of green lights," he says.

RJR and Kohlberg Kravis Roberts & Co., the company's largest shareholder with a 35% stake, declined to comment.

RJR, with active prodding by KKR, has been searching for a way to bolster its

Please Turn to Page C2, Column 3

## TAPEWATCH

• **August housing starts**, scheduled for release at 8:30 a.m. EDT, are estimated at a 1.4 million annual rate, nearly matching July's 1.42 million rate.

For more information and related news call 1-800-JOURNAL, news category 1-8000. Calls cost 95 cents per minute.

2073444325

# RJR Holders Hope They Will Be Rewarded With the Initiation of Cash Dividends Soon

## HEARD ON THE STREET

*Continued From Page C1*

stock price by stepping out from under the taint of tobacco. While earnings have improved under Chairman Charles "Mike" Harper, who joined the company last year, the stock has been stubbornly stuck below \$7. RJR closed yesterday at 6½, down ¼.

Executives close to major RJR shareholders say RJR's management might unveil the dividend as part of a more ambitious restructuring, which could include a spinoff or an initial public offering of RJR's Nabisco Foods Group. But they say RJR is likely to proceed with the dividend even if a broader deal doesn't pan out. Indeed, some analysts said the KKR camp wouldn't have recently agreed to buy Borden using 250 million to 300 million of its RJR shares if RJR was on the verge of a stock-bolstering restructuring.

RJR is under intense pressure to improve its share price, having failed to participate fully in a recent rally by tobacco-company shares.

Mr. Hoens of Fitch Investors Service recently called RJR to probe about a possible dividend and spell out why he felt a payment was in the offing. He says his contact at RJR told him, "I can't see any flaws in your logic."

RJR watchers point out that Mr. Harper's written mission statement for RJR says the company's goal is "to increase the wealth of all shareholders through stock-price appreciation, dividend payments, or a combination of the two."

In addition to RJR's \$1 billion in annual free cash flow, several other factors point toward a possible dividend. The problems with the health-care bill make it less likely that companies will be hit with a sharp rise in tobacco taxes. Also, Philip Morris recently increased its dividend (the stock now yields 5.5%), which investors took as a sign that the market leader isn't eager to resume the cigarette-price wars of 1993. In addition, one of RJR's dividend-bearing preferred-stock issues converts to common shares in November, leaving the company with more than \$100 million a year in additional free cash.

RJR has compelling reasons to try to boost its stock. Many Borden shareholders are expected to sell the RJR shares they receive from KKR, flooding the market with RJR shares.

The initiation of a dividend could balance the negative pressure by opening up a significant new market for RJR shares. "You are excluding a large pool of investors by not paying a dividend," says Mr. Taylor of Salomon Brothers. He points out that many investment funds are prohibited from buying stocks that don't pay dividends.

Of course, a dividend isn't a certainty. One potential obstacle to a dividend would be if the credit-rating services took a dim view of one. It is understood that RJR, having reduced its debt by billions of dollars since KKR's buyout of the company, wouldn't declare a dividend if to do so would jeopardize its cherished investment-grade credit rating.

Some RJR watchers remain skeptical. It isn't clear if management will ultimately recommend a dividend, they say, or if the board would approve such a move. David Adelman, an analyst at Dean Witter, Discover & Co., says: "It's unlikely that the company is going to take some dramatic action to boost its share price between now and when the Borden deal occurs."

For later information and related news  
call 1-900-JOURNAL, news category 1-7000.  
Calls cost 95 cents per minute.

## Kidder Opposes Jett's Bid For Documents, Legal Fees

*By a WALL STREET JOURNAL Staff Reporter*

NEW YORK — Kidder, Peabody & Co. formally opposed a request by Joseph Jett, its ousted government-bond chief, for documents and legal fees in his case against the brokerage firm.

In a filing in a New York state court, Kidder said it wasn't required to produce internal documents to Mr. Jett until arbitrators are chosen to hear his case against the firm at the National Association of Securities Dealers.

Moreover, Mr. Jett's request for \$600,000 in legal fees under Kidder's corporate indemnification policy is "equitably and legally indefensible and outrageous," Kidder said in the filing.

Kidder, a unit of General Electric Co., fired Mr. Jett in April, and accused him in an arbitration claim of creating \$350 million in bogus profit to mask losses of \$85 million over 2½ years. Mr. Jett has denied the allegations.

In a statement yesterday, a spokesman for Mr. Jett said: "The only new argument is a tortured attempt to explain why Kidder's own bylaw that expressly requires advance payment of defense costs for any current or former employees does not apply to Mr. Jett."

2073444326